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NVC 雷士照明
NVC LIGHTING HOLDING LIMITED
雷士照明控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2222)

**VERY SUBSTANTIAL DISPOSAL
IN RELATION TO
THE DISPOSAL OF A MAJORITY INTEREST IN
THE CHINA NVC-LIGHTING BUSINESS (70% EQUITY INTEREST IN
THE TARGET COMPANIES)
AND
PROPOSED DECLARATION OF SPECIAL DIVIDEND**

Financial Adviser to the Company

Deloitte

德勤

Deloitte & Touche Corporate Finance Limited

THE DISPOSAL AGREEMENT

The Board is pleased to announce that on 10 August 2019, the Company, LED Holdings, Holdco, the Purchaser and KKR entered into the Share Purchase Agreement, pursuant to which the Company and LED Holdings have conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire the Target Companies with a valuation of 100% of the equity of the Target Companies of RMB5,559,010,897, subject to the terms of the Share Purchase Agreement. The Target Group is principally engaged in the China NVC-lighting Business.

Before the Disposal, the Company directly, and indirectly through LED Holdings, holds a 100% equity interest in the Target Companies. After the Closing, the Company and KKR will respectively indirectly hold 30% and 70% of the total equity interests in the Target Companies and the Target Companies will not be consolidated into the consolidated financial statements of the Group. The Company and KKR will, upon Closing, enter into the Shareholders' Agreement to govern the management of, and the relationship between the shareholders of, Holdco, being the indirect holding company of the Target Group after Closing.

SPECIAL DIVIDEND

Subject to, among other things, the approval of the Shareholders at the EGM and the Closing, the Board intends to declare a Special Dividend of not less than HK\$0.9 per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined. A further announcement will be made by the Company in this regard as and when appropriate.

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios calculated in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal for the Company which is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened and held for Shareholders to consider and, if thought fit, approve: (i) the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement) and the transactions contemplated thereunder; and (ii) the Special Dividend. A circular containing, among other matters, further information of the Disposal and the Special Dividend, a notice convening the EGM and other information as required under the Listing Rules will be despatched to the Shareholders on or before 31 October 2019 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

The payment of the Special Dividend is subject to, among others, approval of the Shareholders at the EGM and the Closing. The Closing is conditional on certain conditions precedent being fulfilled. Accordingly, the Disposal and the Special Dividend may or may not materialize. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 10 August 2019, the Company, LED Holdings, Holdco, the Purchaser and KKR entered into the Share Purchase Agreement, pursuant to which the Company and LED Holdings have conditionally agreed to dispose of, and the Purchaser has conditionally agreed to acquire the Target Companies with a valuation of 100% of the equity of the Target Companies of RMB5,559,010,897 subject to the terms of the Share Purchase Agreement. The Target Group is principally engaged in the China NVC-lighting Business (as defined below).

Before the Disposal, the Company directly, and indirectly through LED Holdings, holds a 100% equity interest in the Target Companies. After the Closing, the Company and KKR will respectively indirectly hold 30% and 70% of the total equity interests in the Target Companies and the Target Companies will no longer be consolidated into the consolidated financial statements of the Group. The Company and KKR will, upon Closing, enter into the Shareholders' Agreement to govern the management of, and the relationship between the shareholders of Holdco.

THE SHARE PURCHASE AGREEMENT

The principal terms and conditions of the Share Purchase Agreement are set out below:

- Date** 10 August 2019
- Parties**
- (1) the Company (as seller);
 - (2) LED Holdings (as seller);
 - (3) the Purchaser (as purchaser);
 - (4) Holdco (as the sole shareholder of the Purchaser); and
 - (5) KKR (as the sole shareholder of the Holdco as at the date of the announcement)

Transaction Structure/ Consideration, Payment As at the date of this announcement, KKR owns 100% of the share capital in Holdco which owns 100% of the share capital in the Purchaser.

On Closing, the Purchaser will acquire 100% of the issued share capital of each of the Target Companies. In consideration, the Purchaser will pay RMB4,611,307,628, subject to certain possible adjustments in accordance with the Share Purchase Agreement (the **Cash Consideration**) to the Company and Holdco will issue new ordinary shares in Holdco to the Company representing 30% of the total issued share capital of Holdco on a fully-diluted basis (the **Share Consideration**) (with the remaining 70% to be held by KKR). The Share Consideration is valued at RMB947,703,269 assuming that Holdco will own 100% of the share capital in all Target Companies and Holdco and the Purchaser will have a level of long-term indebtedness of RMB2,400,000,000.

Therefore, the total consideration that will be received by the Company on Closing shall be equal to RMB5,559,010,897, i.e., being the aggregate of the Cash Consideration and Share Consideration (the **Total Consideration**), subject to certain potential adjustments as set out in the Share Purchase Agreement. On Closing, if Holdco, indirectly through the Purchaser, borrows an amount, after minus (i) cash of the Purchaser and (ii) financing costs, in excess of RMB2,400,000,000 under its acquisition facilities, the value of the Share Consideration will decrease. This is due to the fact that the value of the Share Consideration is determined based on the assumption that the Holdco will have a level of long-term indebtedness of RMB2,400,000,000. If the Holdco, indirectly through the Purchaser, takes on more debt and has a higher level of indebtedness, the value of the new shares issued by the Holdco will decrease by 30% of the same amount. Therefore, in order to compensate for such decrease of the value of the Share Consideration, the Purchaser will increase the amount of the Cash Consideration by the same amount so that the Total Consideration received by the Company at Closing shall remain the same, being RMB5,559,010,897.

Multiples of comparable companies as at the valuation date

The comparable companies are selected based on similarity of business nature and profitability. The independent valuer has considered the information of certain listed comparable companies which are engaged in the same industry.

Comparable Company	Ticker	P/E	P/B	P/S
NVC Lighting Holding Limited	HK 2222	5.68	0.52	0.32
Neo-Neon Holdings Limited	HK 1868	7.87	0.70	1.66
Zhejiang Yankon Group Co., Ltd	CH 600261	12.61	1.39	0.89
Foshan Electrical & Light Co., Ltd	CH 000541	19.16	1.66	1.93
Hengdian Group Tospo Lighting Co., Ltd.	CH 603303	19.54	1.88	1.21
OPPLE Lighting Co., Ltd	CH 603515	23.41	5.22	2.64
Foshan NationStar Optoelectronics Co., Ltd	CH 002449	14.42	1.87	1.78
<i>Adopted Multiples</i>		14.67	1.89	1.49

The Directors (including the independent non-executive Directors) consider that the methodologies adopted for the preparation of the valuation report are fair and reasonable.

The Directors (including the independent non-executive Directors) consider that the Consideration is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Permitted Dividend Before Closing, the Target Companies will be permitted to declare and distribute to the Company a cumulative amount dividend of approximately RMB300,000,000 in respect of its profit for the year of 2019.

Consideration adjustments If, between 31 December 2018 and the Closing Date, any “leakage” of value from the Target Companies occurs, the Consideration will be reduced on a dollar-for-dollar basis to compensate the Purchaser for the value which has been leaked to the Company or certain of its associates. Leakage is defined in detail in the Share Purchase Agreement, but captures any payments, payments in kind, or other transfers of economic value from the Target Companies to, or on behalf of, or for the benefit of the Company, LED Holdings or any member of the sellers’ group of associated companies (excluding the Target Group).

Additional equity injection to rectify net cash shortfall

If the Target Group's Net Adjusted Cash Amount falls below RMB300,000,000 at any time between Closing and the date one month after Closing, KKR shall have a right of additional equity injection to rectify such net cash shortfall and if KKR exercises the right, KKR and the Company will be obliged to inject 70% and 30% of the shortfall (respectively) into Holdco in the form of additional equity. In return, Holdco will issue additional shares to KKR and the Company at a price per share equal to the price per share at which the Share Consideration was issued.

Conditions Precedent

- (1) The approval by the Shareholders at the EGM with respect to the Share Purchase Agreement and the transactions contemplated thereunder (the ***Shareholder Approval Condition***);
- (2) the completion of the core reorganisation steps in accordance with the reorganisation memorandum appended to the Share Purchase Agreement (the ***Reorganisation Condition***);
- (3) the obtaining of anti-trust approval issued by SAMR (the ***Anti-trust Condition***); and
- (4) there having been no material adverse change of the Target Group since the date of Share Purchase Agreement.

Closing

Closing will take place on 12 December 2019 provided that all of the Conditions Precedent have been satisfied or waived on or before 5 December 2019, otherwise the Closing will take place on 31 December 2019 provided that all of the Conditions Precedent have been satisfied or waived on or before 20 December 2019.

If any of the Conditions are not satisfied or waived on or before 20 December 2019 or such later date as the Parties may otherwise agree in writing (the ***Long Stop Date***), either the Company or the Purchaser shall have a right by written notice to the other Parties to terminate the Share Purchase Agreement, provided that:

- (1) the Company shall have the right to postpone the Long Stop Date for a maximum of three (3) months in the event that the Anti-trust Condition is not satisfied on or before the Long Stop Date; and
- (2) the Purchaser shall have the right to postpone the Long Stop Date for a maximum of three (3) months in the event that the Reorganisation Condition is not satisfied or waived on or before the Long Stop Date.

**Pre-sale
Reorganisation**

The Company will undertake a series of pre-sale reorganisation steps, the purpose of which is to separate the entities, assets and business between the Remaining Group and the Target Group in line with the delineation between the Remaining Business and Target Business. Among other arrangements, the Target Group will assign to the Remaining Group the trademarks that are relevant only to the China Remaining Business and the International Business. The Target Group will also grant to the Remaining Group a perpetual, royalty-free license to use in the China Remaining Business the trade marks that cannot be split from the Target Group portfolio (due to the fact that those registrations or applications contain specifications used in both businesses or contain products that are the same or similar to those used by the Target Group).

Break Fee

If the Share Purchase Agreement is terminated by the Company in the event that: (i) all of the Conditions Precedent have been satisfied or waived but the Purchaser fails to fulfil its obligations at Closing; or (ii) the Purchaser fails to submit the antitrust filing to SAMR on or before 30 August 2019, the Purchaser has agreed to pay the Company a reverse break fee of RMB300 million.

If the Share Purchase Agreement is terminated by the Purchaser in the event that all of the Conditions Precedent have been satisfied or waived but the Company fails to fulfil its obligations at Closing, the Company has agreed to pay the Purchaser a break fee of RMB300 million.

**Anti-
Embarrassment**

If Closing fails to take place due to the Shareholder Approval Condition not being satisfied and, within six months of the date of the EGM, the Company sells, directly or indirectly, more than 50% of the shares of at least two of the three Target Companies, the Company will be required to pay to the Purchaser an amount equal to 70% of half of the uplift in value for the shares in the second transaction (as compared with the relative value of that same proportion of shares with a valuation based on the Total Consideration).

Non-compete

The Company shall not, and undertakes to procure that no member of the Remaining Group shall, directly or indirectly carry on, participate in or be engaged or interested in (including investing in, or providing financing in any manner to, any person that is engaged or financially interested in) any Target Business in the PRC for a period of five (5) years after the Closing Date. However, the Company and any member of the Remaining Group may:

- (1) on or after the date which is two (2) years after the Closing Date, acquire any business which has a small degree of overlap with the Target Business (less than 30% of turnover attributable to the competing component of the acquired business);
- (2) purchase any securities, shares or similar interests in any listed entity that do not exceed 5% of the total securities, shares or similar interests of that entity;

- (3) on or after the date which is two (2) years after the Closing Date, establish any Target Business in the PRC with 70% of its turnover from manufacturing or distributing products solely for markets outside the PRC; and
- (4) carry on any China ODM Business.

THE SHAREHOLDERS' AGREEMENT

The Company, KKR and Holdco shall enter into the Shareholders' Agreement on the Closing Date to govern the future relationship of the Company and KKR as shareholders of Holdco. The principal terms of the Shareholders' Agreement are set out below:

- Parties**
- (1) KKR;
 - (2) the Company; and
 - (3) Holdco.

each a “**Party**” and collectively, the “**Parties**”.

Board of Directors

The board of directors of Holdco shall consist of 5 directors. KKR shall have the right to appoint 3 directors and the Company shall have the right to appoint 2 directors.

Transfer Restriction

Without the prior written consent of the other party, neither the Company nor KKR may transfer any of its shares in Holdco to:

- (a) any third party (other than to an affiliate) before the fourth anniversary of the Closing Date; or
- (b) certain restricted transferees or their affiliates, during the period between the fourth anniversary of the Closing Date and the fifth anniversary of the Closing Date.

Right of First Offer

Subject to the restrictions as set out in the Shareholders' Agreement, where the Company proposes to sell any of its shares in Holdco to any person (other than to an affiliate), the Company shall first offer to KKR the right to acquire such shares at a price proposed by the Company. If KKR accepts such offer, the Company shall sell such shares to KKR. If KKR does not accept such offer, the Company shall have the right to sell such shares to any bona fide third party at a price and on terms and conditions the same as or more favorable to the Company than those offered to KKR within a period of 12 months after the offer to KKR.

Right of First Offer Related to International Lighting Business

Where the Company proposes to sell any part of its international lighting business which, individually or in the aggregate, represents 60% or more of the total audited revenue of the international lighting business in the most recent full financial year to any person (other than to an affiliate), the Company shall first offer Holdco the right to acquire such international lighting business at a price proposed by the Company. If Holdco accepts such offer, subject to the rights of the minority shareholders in such international lighting business, the Company shall sell such international lighting business to Holdco. If Holdco does not accept such offer, the Company shall have the right to sell such international lighting business to a bona fide third party at a price and on terms and conditions the same as or more favorable to the Company than those offered to Holdco within a period of 12 months after the offer to Holdco.

Pre-emptive Right

If Holdco proposes to issue any new securities (including shares, options, warrants, securities that are convertible into share capital, and debt securities), each of the Company and KKR, as the shareholders of Holdco, shall have the right to subscribe for a pro rata portion of the new securities equivalent to its share ownership percentage in Holdco.

Drag Along

If KKR proposes to transfer more than 50% of the share capital in Holdco to any person (other than to an affiliate) at any time following 48 months after the Closing Date, KKR shall have the right to require each other shareholder of Holdco (the **Drag Shareholder**) to transfer an equivalent pro rata portion of its shares in Holdco on the same terms and conditions as KKR is transferring shares in Holdco, provided that,

- (a) during the period commencing on the date which is 48 months after the Closing Date and ending on the fifth anniversary of the Closing Date, KKR may only exercise such drag-along right if the consideration with respect to each share to be dragged is not less than the aggregate amount of: (i) the price per share at which the Share Consideration was issued, as adjusted for any bonus share issue, share subdivision, share combination, share split, recapitalization, reclassification or similar event occurring after the Closing Date (the **Base Price**), plus (ii) an amount representing an interest accruing at the Agreed Interest Rate per annum on the Base Price during the Reference Period, minus the cumulative amount of distribution (by way of dividend or otherwise) made to the relevant Drag Shareholder with respect to such drag share by Holdco after the Closing Date. The **Agreed Interest Rate** shall equal 12% and the **Reference Period** shall mean the period between the Closing Date and the date when the relevant Drag Shareholder receives the transfer price of their shares in Holdco (each inclusive); and
- (b) during the period commencing on the date immediately after the fifth anniversary of the Closing Date and ending on the seventh anniversary of the Closing Date, KKR may only exercise such drag-along right if the consideration with respect to each share to be dragged is not less than the Base Price.

Tag Along

If KKR proposes to transfer any of its shares in Holdco to any person (other than to an affiliate), the Company shall have the right but not the obligation to require the transferee to purchase from it an equivalent pro rata portion of its shares in Holdco on the same terms and conditions as KKR is transferring shares in Holdco, provided that if KKR is proposing to transfer more than 50% of its shares in Holdco and does not exercise its drag-along right, the Company shall have the right to require the transferee to purchase up to all of the Company's shares in Holdco.

Matters requiring approval by the Company and KKR

The prior written approval of both the Company and KKR will be required for certain matters relating to Holdco and its subsidiaries, including:

- (a) an initial public offering on any stock exchange in the PRC, which KKR shall approve if it is an initial public offering on the Small and Medium-sized Enterprise Board of the Shenzhen Stock Exchange of the PRC (*A-Share Listing*) proposed by the Company and meets certain financial metrics (please see "Qualifying IPO" below for further details);
- (b) an initial public offering on any stock exchange outside of the PRC or a trade sale of the business of Holdco or any of its subsidiaries withilfurohe 1
- (c) the issuance of securities, other than in limited circumstances (such as the issuance of securities to Holdco or any of its subsidiaries);
- (d) adopting or amending the annual business plan;
- (e) subject to limited exceptions, acquiring or disposing of any business or assets for an amount greater than RMB100 million (in aggregate) in any 12 month period;
- (f) entering into contracts or commitments involving a liability or expenditure greater than RMB80 million;
- (g) borrowing funds or incurring capital expenditure, in aggregate, in excess of RMB140 million in a calendar year;
- (h) any merger, division or reorganisation (where the purpose of the reorganisation is to consolidate ownership of Holdco and its
- (i) any proposal to wind up, or appoint a liquidator, receiver or administrator to, Holdco or any of its subsidiaries;

- (j) taking action, or deciding not to take action, in relation to certain legal proceedings or regulatory investigations;
- (k) appointing and removing the auditors; and
- (l) amending or modifying the constitutional documents.

Qualifying IPO

During the period commencing on the date which is 12 months after the Closing Date and ending on the date which is 48 months after the Closing Date, the Company shall have the right to recommend to the board of directors of Holdco a plan for an A-Share Listing.

If, in summary, the A-Share Listing would yield an after tax internal rate of return (calculated from the Closing Date) of at least 18% (on an annualized basis) on RMB5,559,010,897 (a **Qualifying IPO**), KKR shall approve the plan for the A-Share Listing, and the Company and KKR shall procure that the plan is implemented as soon as possible and provide all co-operation as is reasonably required. The implementation of the plan shall be led by the Company.

If the Qualifying IPO is not completed by the date that falls 48 months after the Closing Date, Holdco and its subsidiaries may seek an initial public offering on any other recognised stock exchange or the shareholders of Holdco may pursue other exit plans (including, but not limited to, a trade sale).

INFORMATION OF THE PARTIES

The Company

The Company is a leading supplier of lighting products in China (including the Mainland China, Hong Kong and Macau Special Administrative Region). It designs, develops, produces, markets and sells a variety of lighting products, with a strong focus on energy-saving products.

Currently the Group is principally engaged in the design, development, production, marketing and sales of lighting products and certain non-lighting products in both the China market and international market. The businesses of the Group as of the date of this announcement, by geographical locations, primarily include:

In the China market

- (i) Manufacturing, sales and distribution of commercial lighting products and home lighting products as well as e-commerce business in the Mainland China market under the NVC brand (the ***China NVC-lighting Business***).
- (ii) Provision of hardware, electrical equipment, furniture and building material products in the China (including the Mainland China, Hong Kong and Macau Special Administrative Region) market under the NVC brand (the ***China Remaining Business***).
- (iii) Manufacturing of ODM Products (which may include lighting products) in the Mainland China market under third party brands (the ***China ODM Business***).

In the international market

- (i) Manufacturing, sales and distribution of commercial lighting products, home lighting products, and non-lighting products in the international market under the NVC brand or third party brands (the ***International Business***).

After the Disposal, the Remaining Group will be primarily engaged in: (i) the China Remaining Business; (ii) the China ODM Business; and (iii) the International Business. The Remaining Group may also expand its business to the manufacturing, sales and distribution of certain household non-lighting products and systems under the NVC brands in China as agreed with KKR.

LED Holdings

LED Holdings is a company incorporated in Hong Kong with limited liability. Its principal business is investment holding. As at the date of this announcement, LED Holdings is a wholly-owned subsidiary of the Company.

The Purchaser

The Purchaser is a company incorporated in Singapore with limited liability. Its principal business is investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Purchaser, KKR and the ultimate beneficial owner of KKR are third parties independent of the Company and connected persons of the Company.

INFORMATION OF THE TARGET GROUP

The Target Group consists of each of the Target Companies and the following companies in which each of the Target Companies holds equity interests (or will hold equity interests after an internal reorganisation). The Target Group is principally engaged in the China NVC-lighting Business.

The following tables set out the information of the Target Group as at the date of this announcement:

Huizhou NVC Group

	Company Information	Shareholding held by the Company
1.	Huizhou NVC Lighting Technology Company Limited* (惠州雷士光電科技有限公司), a PRC incorporated company with limited liability	100%
2.	Chongqing NVC Lighting Company Limited* (重慶雷士照明有限公司), a PRC incorporated company with limited liability	100%
3.	Huizhou NVC Trading Development Company Limited* (惠州雷士貿易發展有限公司), a PRC incorporated company with limited liability	100%
4.	Bengbu NVC Smart Household Technology Company Limited* (蚌埠雷士智能家居科技有限公司), a PRC incorporated company with limited liability	100%
5.	Huizhou NVC Fire Lighting Company Limited* (惠州雷士消防照明標識有限公司), a PRC incorporated company with limited liability	70%
6.	Tongheng NVC Lighting Technology (Shanghai) Company Limited* (同恒雷士光電科技(上海)有限公司), a PRC incorporated company with limited liability	20%
7.	Huizhou Thorled-opto Company Limited* (惠州雷通光電器件有限公司), a PRC incorporated company with limited liability	49%
8.	Zhongshan NVC Decorative Lighting Technology Company Limited* (中山雷士燈飾科技有限公司), a PRC incorporated company with limited liability	100%
9.	Huizhou NVC Kitchenware Company Limited* (惠州雷士櫥衛電器有限責任公司), a PRC incorporated company with limited liability	51%

Company Information		Shareholding held by the Company
8.	Wuhu Aokong E-commerce Company Limited* (蕪湖奧空電子商務有限公司), a PRC incorporated company with limited liability	100%
9.	Zhuhai Leidong Technology Company Limited* (珠海市雷東科技有限公司), a PRC incorporated company with limited liability	100%
10.	Huizhou Shangjia Lighting Company Limited* (惠州市尚佳光電有限公司), a PRC incorporated company with limited liability	100%

Zhuhai Yaohui Group

Company Information		Shareholding held by the Company
1.	Zhuhai Yaohui Technology Co., Ltd. * (珠海耀輝科技有限公司), a PRC incorporated company with limited liability	100%
2.	Zhuhai Shenghuayang Technology Company Limited* (珠海盛華陽科技有限公司), a PRC incorporated company with limited liability	100%
3.	Zhuhai NVC Technology Company Limited* (珠海雷士科技有限公司), a PRC incorporated company with limited liability	100%
4.	Zhuhai Berkeley Modern Furniture Company Limited* (珠海伯克麗現代家居有限公司), a PRC incorporated company with limited liability	10%
5.	Zhuhai NVC Liangjia Technology Company Limited* (珠海雷士靚家科技有限公司), a PRC incorporated company with limited liability	100%
6.	Kaiyuan Zhuque II (Shenzhen) Equity Investment Partnership* (開元朱雀二期(深圳)股權投資合夥企業), a PRC incorporated limited partnership	83%
7.	Zhuhai NVC Youpin Industrial Company Limited* (珠海雷士優品實業有限公司), a PRC incorporated company with limited liability	90%
8.	Zhuhai NVC Logistics Company Limited* (珠海市雷士物流有限公司), a PRC incorporated company with limited liability	100%

FINANCIAL INFORMATION

According to the unaudited financial information of the Target Group, the Target Group recorded an unaudited net assets value of approximately RMB2,356,381,000 as at 31 December 2018. Set out below are the unaudited results of the Target Group with reference to the financial information of the Target Companies which were respectively prepared under International Financial Reporting Standards for the two years ended 31 December 2017 and 2018, respectively:

	Financial year ended 31 December 2017 RMB'000	Financial year ended 31 December 2018 RMB'000
Profit before tax	479,339	492,976
Profit after tax	393,733	357,137

The unaudited financial information of the Target Group was prepared by the management based on the steps including but not limited to those set out below:

- a. applying the combined basis of accounting on the Target Group as if such basis was applicable;
- b. eliminating or setting off the transactions during the years ended 31 December 2017 and 2018 and balances as at 31 December 2017 and 2018 within the Target Group respectively;
- c. excluding transactions during the years ended 31 December 2017 and 2018 and balances as at 31 December 2017 and 2018 of the disposal entities that are not relevant to the Target Business;
- d. transferring investments in subsidiaries between the Target Group and Remaining Group to each other at carrying value through current accounts between the Target Group and Remaining Group on 31 December 2017 and 2018 for the purpose of statements of financial position of the Target Group and on 1 January 2017 and 2018 for the purpose of statements of profit or loss of the Target Group;
- e. the financial information not taking into account the gain or loss arising from the reorganisation and the relevant tax impact of reorganisation, if any; and
- f. excluding financial impact of impairment on amounts due from entities within the Remaining Group as at 1 January 2017 and 2018 and during the years ended 31 December 2017 and 2018, if any.

REASONS FOR AND BENEFITS OF THE DISPOSAL

Business Optimization Strategy

With the increase in the global market penetration rate of LED lighting products and the rise of overseas emerging markets, overseas markets have become new room for strategic arrangements of LED lighting enterprises. The Group has established international sales and distribution business in Europe, Australia, Middle East, South America and Southeast Asia. The Group acquired Elec-Tech Solid State Lighting (HK) Limited (***ETI Solid State HK***) in November 2018 to enter the North American market and increase its overseas sales. The ETI Solid State HK transaction is one of the major steps that the Group has taken to expand its business in markets outside China. In addition to acquisition of ETI Solid State HK, the Group successfully obtained the comprehensive and independent authorization for retail businesses under the Toshiba brand in Japan recently, which represented another successful breakthrough of the Group in the Japanese market. In the future, the Company plans to continue to develop its International Business.

Under such circumstance, the Disposal is one step of the Company's business optimization strategy. After the Disposal, the Remaining Group will be primarily engaged in: (i) the China Remaining Business; (ii) the China ODM Business; and (iii) the International Business. The Remaining Group may also expand its business to the manufacturing, sales and distribution of certain household non-lighting products and systems under the NVC brands in China as agreed with KKR.

With respect to the International Business, the Company expects to receive a net cash income of no less than RMB878,852,382 (after deducting the Special Dividend, the transaction costs and taxes) from the Disposal, which will be used to further invest in the Company's International Business. The Group is currently setting up a production line of LED lighting products in East Asia. Further, the Company intends to expand its International Business through merger and acquisition. The Company is contemplating to acquire targets operating lighting brands and focusing on business-to-business model in the Europe or the United States.

The Company expects that the China Remaining Business and China ODM Business will remain stable.

Returns to the Shareholders

As at the date of this announcement, the Company has a total market capitalisation of HK\$2,959,096,454 (equivalent to approximately RMB2,643,064,953). The Total Consideration is RMB5,559,010,897. The Cash Consideration is RMB4,611,307,628, subject to certain potential adjustments as set out in the Share Purchase Agreement. After Closing, the Company will be able to return to its Shareholders a Special Dividend of an amount equal to approximately HK\$3,804,552,584 (equivalent to approximately RMB3,398,226,368). The Special Dividend amount alone represents 129% of the entire market capitalisation of the Company. After the Disposal and after making the Special Dividend, the Company still retains 30% interest in Holdco and the Target Business.

In view of the above, the Directors consider that the Disposal is in the interests of the Company and its Shareholders as a whole, and the terms of the Share Purchase Agreement are fair and reasonable.

FINANCIAL EFFECTS OF THE DISPOSAL

Before the Disposal, the Company directly, and indirectly through LED Holdings, holds a 100% equity interest in the Target Companies. After the Closing, the Company will indirectly hold a 30% equity interest in Holdco which indirectly owns 100% of the share capital of the Target Companies. The Target Companies will not be consolidated into the consolidated financial statements of the Group.

It is estimated that the Group will record a gain of approximately RMB2,883 million as a result of the Disposal, calculated by adding up (i) Total Consideration after deducting relevant expenses and taxes, less (ii) net assets of the Target Group as at 31 December 2018 after deducting non-controlling interest and foreign currency translation reserve of the Target Group and (iii) ignoring the values of the right to use the trademarks that are relevant to the China Remaining Business to be assigned by the Target Group to the Remaining Group. Shareholders should note that the financial effect is shown for reference only and the actual amount of gain or loss as a result of the Disposal is subject to audit by the auditors.

INTENDED USE OF PROCEEDS

The Cash Consideration is determined to be RMB4,611,307,628, subject to certain potential adjustments as set out in the Share Purchase Agreement. After deducting transaction costs and taxes, the estimated net proceeds from the Disposal will amount to approximately RMB4,277,078,750. The Company intends to use the net proceeds from the Disposal for the following purposes:

- (i) approximately 74% of the Cash Consideration, being approximately RMB3,398,226,368 (equivalent to approximately HK\$3,804,552,584), for distribution of the Special Dividend to Shareholders (representing a special dividend of not less than HK\$0.9 per Share based on the number of total issued Shares of the Company as at the date of this announcement); and
- (ii) the remaining balance for expanding the International Business including, among matters, building up overseas production facilities.

SPECIAL DIVIDEND

Subject to, among matters, the approval of the Shareholders at the EGM and the Closing, the Board intends to declare a Special Dividend of not less than HK\$0.9 per Share to the Shareholders whose names appear on the register of members of the Company on a record date to be determined. A further announcement will be made by the Company in this regard as and when appropriate.

LISTING RULES IMPLICATIONS

As one or more of the applicable Percentage Ratios calculated in respect of the Disposal is more than 75%, the Disposal constitutes a very substantial disposal for the Company which is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, ETIC, a substantial shareholder of the Company, is an upstream supplier of the Target Group supplying LED lamp products, LED chips and LED power sources and may have business cooperation or arrangements with the Target Group and KKR or its affiliates, respectively, from time to time. In light of the above, the Company considers that ETIC may have potential or actual conflict of interest, and therefore shall abstain from voting on the resolution in relation to the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement) and the transactions contemplated thereunder at the EGM. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, save for ETIC, no other Shareholder is materially interested in the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement) and the transactions contemplated thereunder and is required to abstain from voting at the EGM on resolutions in relation to the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement) and the transactions contemplated thereunder.

In light of the above, Mr. Wang Donglei, who concurrently serves as the chairman and executive Director of the Company and a director of ETIC has voluntarily abstained from voting on the Board resolution in relation to, among others, the Share Purchase Agreement and the transactions contemplated thereunder. Mr. Wang Dongming and Mr. Wang Kevin Dun, being the brother and son of Mr. Wang Donglei, also voluntarily abstained from voting on the Board resolution in relation to the same matter.

The declaration and payment of the Special Dividend are subject to Shareholders' approval at the EGM. All Shareholders' interests in the Special Dividend are the same. Accordingly, no Shareholders are required to abstain from voting on the resolution in relation to the Special Dividend at the EGM.

GENERAL

The EGM will be convened and held for Shareholders to consider and, if thought fit, approve: (i) the Share Purchase Agreement, all ancillary agreements to the Share Purchase Agreement (including the Agreed Form of the Shareholders' Agreement) and the transactions contemplated thereunder; and (ii) the Special Dividend. A circular containing, among others, further information of the Disposal and the Special Dividend, a notice convening the EGM and other information as required under the Listing Rules will be despatched to the Shareholders on or before 31 October 2019 so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

Warning: The payment of the Special Dividend is subject to, among others, approval of the Shareholders at the EGM and the Closing. The Closing is conditional on certain conditions precedent being fulfilled. Accordingly, the Disposal and the Special Dividend may or may not materialize. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Agreed Form”	means, in relation to a document, the form of that document which has been agreed by way of email confirmation on the date of the Share Purchase Agreement by or on behalf of the Company and the Purchaser (in each case with such amendments as may be agreed in writing by or on behalf of the Company and the Purchaser)
“Blue Light”	Blue Light (HK) Trading Co., Limited (香港蔚藍芯光貿易有限公司), a company incorporated in Hong Kong with limited liability which is a wholly-owned subsidiary of the Company
“Blue Light Group”	Blue Light and its subsidiaries as at the Closing
“Board”	the board of directors of the Company
“China ODM Business”	means the design and manufacturing of lighting products in Mainland China by the relevant members of the Remaining Group that are branded, marketed and sold under the brand and name of the customers of the relevant members of the Remaining Group
“Closing”	completion of the Disposal in accordance with the terms and conditions of the Share Purchase Agreement
“Closing Date”	the date on which Closing occurs
“Company”	NVC Lighting Holding Limited (雷士照明控股有限公司), a company incorporated in the British Virgin Islands on 2 March 2006 and subsequently redomiciled to the Cayman Islands on 30 March 2010 as an exempted company with limited liability under the laws of the Cayman Islands. The issued Shares of the Company are listed on the main board of The Stock Exchange of Hong Kong Limited
“Consideration”	the Cash Consideration and the Share Consideration
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the entire share capital of the Target Companies by the Company and LED Holdings to the Purchaser pursuant to the Share Purchase Agreement

“EGM”	the extraordinary general meeting to be convened and held by the Company to consider and, if thought fit, approve (i) the Share Purchase Agreement and the transactions contemplated thereunder; and (ii) the Special Dividend
“ETIC”	Elec-Tech International Co., Ltd.* (廣東德豪潤達電氣股份有限公司), a company with limited liability incorporated in the PRC which is currently listed on the Shenzhen Stock Exchange and a substantial Shareholder of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Holdco”	Brilliant Lights International Holding Pte. Ltd., which owns 100% of the share capital of the Purchaser
“Huizhou NVC”	Huizhou NVC Lighting Technology Company Limited* (惠州雷士光電科技有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Huizhou NVC Group”	Huizhou NVC and its subsidiaries as at the Closing
“KKR”	Lighting Holdings II Pte. Ltd., a special purpose vehicle indirectly controlled by KKR Asian Fund III L.P. which is a limited partnership incorporated under the laws of Ontario, Canada
“LED Holdings”	LED Holdings Limited (耀能控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company. As at the date of the announcement, LED Holdings held a 100% equity interest in Zhuhai Yaohui
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Percentage Ratio(s)”	has the meaning ascribed thereto under Chapter 14 of Listing Rules
“PRC” or “Mainland China”	the People’s

“Net Adjusted Cash Amount”

means, at any given time, an amount equal to the Adjusted Cash Amount at such time minus any amounts owed by the Target Companies under certain specific external facilities as at that time

For the purposes of this calculation:

Adjusted Cash Amount means, at any time, an amount equal to Cash at such time plus Cash Equivalents at such time minus Restricted Cash at such time.

Cash means, at any given time, the aggregate of the Target Group’s cash on hand, cash credited to a bank account and readily available, minus the amounts of cash in transit, unpaid checks, drafts and wire transfers issued by members of the Target Group, each as at such time.

Cash Equivalents means, at any given time an amount equal to (i) the aggregate amount of bills receivables (excluding bills receivables discounted to the bank) owing to the Target Group at such time; minus (ii) the aggregate amount of bills payable which will become due and payable by quivayabl and wib the aggregatea.acertaia. TD(ii) melCm

“RMB”	Renminbi, the lawful currency of the PRC
“Share Purchase Agreement”	the Share Purchase Agreement dated 10 August 2019 entered into between the Company, LED Holdings, the Purchaser, Holdco and KKR relating to the sale and purchase of the Target Companies
“SAMR”	the State Administration for Market Regulation of the People’s Republic of China or its local counterpart (as the case may be)
“Share(s)”	ordinary share(s) of US\$0.0000001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Shareholders’ Agreement”	the Shareholders’ Agreement to be entered into among the Company, KKR and Holdco on the Closing Date to govern the future management of Holdco and the relationship of the Company and KKR as shareholders of Holdco
“Special Dividend”	the special dividend of not less than HK\$0.9 per Share proposed to be paid by the Company to the Shareholders subject to, among other matters: (i) the passing of an ordinary resolution by the Shareholders at the EGM; and (ii) the Closing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Business”	the manufacture and distribution business of lighting products in the Mainland China, Hong Kong and Macau Special Administrative Region of the Target Group
“Target Companies”	Huizhou NVC, Blue Light and Zhuhai Yaohui
“Target Group”	the group of companies as mentioned in the paragraphs headed “Information of the Target Group” in the announcement, which consists of each of the Target Companies and the companies in which each of the Target Companies holds equity interests
“US\$”	the lawful currency of the United States of America
“Zhuhai Yaohui”	Zhuhai Yaohui Technology Co., Ltd.* (珠海耀輝科技有限公司), a company incorporated in the PRC with limited liability which is an indirectly wholly-owned subsidiary of the Company
“Zhuhai Yaohui Group”	Zhuhai Yaohui and its subsidiaries as at the Closing

* *Denotes English translation of the name of a Chinese company or entity, or vice versa, and is provided for identification purposes only.*

For the purpose of this announcement, HK\$:RMB rate is 1:0.8932.

By Order of the Board
NVC Lighting Holding Limited
WANG Donglei
Chairman

Hong Kong, 11 August 2019

As at the date of this announcement, the Board consists of the following Directors:

Executive Directors:

WANG Donglei
WANG Dongming
XIAO Yu
WANG Keven Dun
CHAN Kim Yung, Eva

Non-executive Directors:

YE Yong

Independent Non-executive Directors:

LEE Kong Wai, Conway
WANG Xuexian
WEI Hongxiong
SU Ling